ECONOMIC INDICATORS

ANNUAL SUPPLEMENT

HAWAII In 1985: A Year-End Summary of Hawaii's Economic Indicators and Outlook for 1986

OVERALL TRENDS

Year-end statistics show that the Hawaiian economy experienced a year of static growth in 1985 after two strong years of expansion. Major factors affecting the performance of the Hawaiian economy in 1985 were the slowdown in the national economy, the unprecedented strength of the American dollar, and the one month long United Airlines strike. Fortunately, the airline strike was short-lived, and is not expected to affect growth in 1986. On the other hand, given the encouraging prospects for growth in the national economy, the overall decline in interest rates, and a moderation in the strength of the dollar, the chance for healthy growth in the Hawaiian economy of 1986 appears high.

As a result of the setbacks in 1985, the total volume of taxable transactions in the state grew by 3.1 percent. Given the increase in the Honolulu Consumer Price Index of 3.3 percent, real growth in the economy, corrected for inflation, declined by 0.2 percent during the year.

Growth trends showed considerable variation by counties. The counties of Honolulu and Hawaii declined by 0.4 and 1.7 percent, respectively, in terms of real growth in total taxable transactions, while Maui and Kauai counties grew by 1.7 and 6.0 percent, respectively.

The generally anemic performance of Hawaii's economy in 1985 was supported by other economic indicators. The sale of new cars on Oahu saw a decline of 1.1 percent during the year compared to a ten-year record growth rate of 15.4 percent in 1984. Total personal income also showed a slowdown, growing by 2.5 percent in inflation-adjusted terms, as of the third quarter of the year compared to the growth rates of 3.8 and 3.9 percent recorded for 1983 and 1984, respectively. State tax revenues increased by 6.0 percent in 1985 compared to increases of 9.9 and 10.3 percent in 1983 and 1984, respectively.

The slowdown in activity was also apparent in financial transactions in the economy. While showing healthy growth, total deposits in commercial banks were slightly below the growth rate of the previous year. Growth in debits to demand deposits, a measure of checking account activity, was also lower than the previous year. Consumer borrowing, however, saw a strong increase of 10.6 percent, above the 9.3 percent growth rate registered in 1984. All major categories of lending saw strong increases including commercial and industrial loans, consumer loans, and real estate loans. Savings and loan institutions showed mixed results over the year. While total deposits in S&Ls declined by 3.1 percent compared to 6.7 percent growth in 1984, mortgage lending increased by 24.7 percent, a distinct improvement over the 10.7 percent decline recorded in 1984. This was attributable to the drop in conventional home mortgage rates which fell from 12.7 to 12.0 percent on a monthly average basis in 1985.

In spite of the general slowdown in the Hawaiian economy, employment and job growth showed moderate improvement. The labor force grew to 481,000 persons, a 1.9 percent increase compared to 0.4 percent in 1984, while the number of people employed increased by 2.0 percent compared to 1.2 percent in 1984. As a result, the unemployment rate remained stable at 5.6 percent in 1985. The number of jobs in the economy also increased by 2.0 percent to 470,100 jobs. This represented a continuation of the overall trend of moderate job growth of 1.8 and 1.2 percent previously achieved in 1983 and 1984.

Growth in Hawaii's economy varied considerably from industry to industry. Visitor and construction industry related jobs did well in 1985, while agriculture and manufacturing jobs did poorly. Public-sector jobs at the federal, state, and county levels saw moderate over-the-year increases. Individual industries are discussed in more detail as follows:

THE VISITOR INDUSTRY

The visitor industry remained stable in 1985 in spite of the slowdown in the national economy, the devastating impact of the United Airlines strike, and the effects of the strong U.S. dollar. Total overnight and longer visitors to Hawaii rose to 4.9 million visitors, a marginal 0.6 percent increase compared to an 11.2 percent visitor increase in 1984.

Of the two major visitor segments, westbound visitors, the segment most affected by the national economic slowdown and the strike, totalled 3.7 million visitors in 1985,

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representing a decline of 0.3 percent compared to a growth rate of 9.6 percent in 1984. At the same time, the 1985 eastbound market was hard hit by the strength of the U.S. dollar, showing only a 3.6 percent increase in 1985 compared to a growth of 16.7 percent in 1984. Clearly, both major segments were severely impacted in 1985.

The overall poor performance of the industry was reflected in most important indicators. The average daily visitor census was down; the average length of stay was down; attendance for meetings and conventions declined; and organized group tours, as well as hotel occupancies, decreased. Jobs in the hotel industry showed a moderate 0.9 percent increase, while visitor industry related activities, such as retail trade, transportation, and services showed moderate growth.

The overall 1985 performance of the industry varied considerably by county. Kauai fared the best, realizing a 2.6 gain in visitors, while Hawaii fared worse, sustaining an 8.4 percent loss. Honolulu had a 2.5 percent decline, and Maui a 1.3 percent loss in visitors. Oahu saw the largest increase in hotel employment (1.6 percent), followed by Maui, Kauai, and Hawaii.

The prospects for the visitor industry in 1986 look optimistic. The probability of continued expansion at the national level appears high. This will mean greater discretionary income for mainland visitors. The value of the dollar is in decline in relation to major foreign currencies. This will increase the price incentive for foreign travelers, particularly from Japan, to come to Hawaii. Problems in major competing areas such as in Mexico and Europe could also have indirect benefits for Hawaii's visitor industry. Add the increase in the number of airlines and routes servicing Honolulu and the Neighbor Islands and the result should be a good year. The outlook for growth in visitor counts can be expected to reach the 5 to 7 percent range for the year.

MILITARY EXPENDITURES

Military expenditures grew to $2.0 billion in 1985. That represented a 1.3 percent increase in real terms during the year. Of the major sectors of military spending, military payrolls declined by 3.5 percent while civilian payrolls increased by 1.0 percent after correcting for inflation. On the favorable side, local purchases of goods and services increased by 9.7 percent in 1985 to $578 million. Military expenditures in 1985 were clearly held up by local purchases of goods and services. However, the trends affecting military-related income

U.S. ECONOMIC INDICATORS

Series	Unit	Period	1985	1984	Percent Change 1984-85
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	quarterly ave.	3,993p	3,775	5.8
In 1982 Dollars	bil. $	quarterly ave.	3,574p	3,492	2.3
PERSONAL INCOME**	bil. $	monthly ave.	3,294p	3,112	5.8
INTEREST RATES					
AVERAGE PRIME RATE	percent	monthly ave.	9.93	12.04	−17.5
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	monthly ave.	343.0p	313.0	9.6
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	monthly ave.	367.7	357.4	2.9
Apts, Hotel, Office Bldgs	1967 = 100	monthly ave.	366.2	360.4	1.6
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	monthly ave.	107,150	105,005	2.0
UNEMPLOYMENT*	thous.	monthly ave.	8,312	8,539	−2.7
UNEMPLOYMENT RATE*	percent	monthly ave.	7.2	7.5	−4.0
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	monthly ave.	318.5	307.6	3.5
All Urban Consumers	1967 = 100	monthly ave.	322.2	311.1	3.6
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	monthly ave.	293.8p	291.1	0.9
All Commodities	1967 = 100	monthly ave.	308.8p	310.3	−0.5

*p = preliminary. *Seasonally adjusted. **Seasonally adjusted at annual rates.*

BUSINESS ACTIVITY IN HAWAII

BUSINESS SALES					
GROSS BUSINESS RECEIPTS:					
STATE	mil. $	annual total	24,630.3	23,879.9	3.1
Oahu	mil. $	annual total	20,742.1	20,148.2	2.9
Maui County	mil. $	annual total	1,694.7	1,613.7	5.0
Hawaii	mil. $	annual total	1,594.5	1,569.8	1.6
Kauai	mil. $	annual total	599.0	548.1	9.3
DIVERSIFIED MANUFACTURING	mil. $	annual total	538.3	530.1	1.5
DIVERSIFIED AGRICULTURE	mil. $	annual total	251.6	257.6	−2.3
RETAILING	mil. $	annual total	8,957.3	8,541.9	4.9
WHOLESALING	mil. $	annual total	6,056.5	6,134.0	−1.3
SERVICES	mil. $	annual total	5,898.7	5,486.3	7.5
OAHU NEW CAR SALES	number	annual total	41,434p	41,882	−1.1
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 = 100	monthly ave.	301.4	291.3	3.5
All Urban Consumers	1967 = 100	monthly ave.	294.1	284.8	3.3
TOURISM					
VISITOR EXPENDITURES	mil. $	annual total	na	4,582	.....
OVERNIGHT OR LONGER VISITORS	number	annual total	4,884,110p	4,855,580	0.6
Westbound	number	annual total	3,708,610p	3,721,380	−0.3
Eastbound	number	annual total	1,175,500p	1,134,200	3.6
AVERAGE DAILY VISITOR CENSUS	number	monthly ave.	103,600p	106,260	−2.5
AVERAGE LENGTH OF STAY	no. of days	monthly ave.	10.2p	10.5	−2.9
MEETING ATTENDANCE	number	annual total	247,166	255,152	−3.1
ORGANIZED GROUP TOURS	number	annual total	837,570p	878,740	−4.7
VISITOR COUNT BY COUNTY*					
Oahu	number	annual total	2,828,640p	2,901,320	−2.5
Maui County	number	annual total	1,831,060p	1,854,690	−1.3
Hawaii	number	annual total	697,380p	760,940	−8.4
Kauai	number	annual total	835,580p	814,590	2.6

*p = preliminary. *Estimated Westbound.*

BUSINESS ACTIVITY IN HAWAII (cont.)

Series	Unit	Period	1985	1984	Percent Change 1984-85
VISITOR ACCOMMODATIONS:					
STATE	number	February	65,919	62,448	5.6
Oahu	number	February	38,600	36,848	4.8
Waikiki	number	February	33,879	32,239	5.1
Maui (Island)	number	February	13,515	12,499	8.1
Molokai	number	February	627	627	0.0
Lanai	number	February	10	12	−16.7
Hawaii	number	February	7,511	7,149	5.1
Kauai	number	February	5,656	5,313	6.5
HOTEL OCCUPANCY:					
STATE	percent	monthly ave.	76.1p	76.9	−1.0
Oahu	percent	monthly ave.	81.5p	83.0	−1.8
Maui (Island)	percent	monthly ave.	78.5p	80.5	−2.5
Hawaii	percent	monthly ave.	57.6p	55.6	3.6
Kauai	percent	monthly ave.	64.8p	63.0	2.9
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	annual total	2,041.0	1,950.4	4.6
Military Payroll	mil. $	annual total	835.8	837.8	−0.2
Civilian Payroll	mil. $	annual total	627.5	601.5	4.3
Local Purchases	mil. $	annual total	577.7	511.1	13.0
SUGAR					
VALUE OF CROP SALES (UNPROCESSED CANE)	thous. $	annual total	na	256,200	.....
SUGAR PRODUCTION	thous. tons	annual total	1,012.2	1,061.8	−4.7
N. Y. RAW SUGAR PRICE	$/ton	monthly ave.	407.8p	434.8	−6.2
PINEAPPLE					
VALUE OF CROP SALES (FRESH EQUIVALENT)	mil. $	annual total	90.1	89.9	0.2
SHIPMENTS: CANNED[2]	mil. $	annual total	100.1	213.3	−53.1
FRESH	thous. lbs.	annual total	246,857	238,153	3.7
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	annual total	na	120,756	.....
FLOWERS & NURSERY PRODUCTS	thous. $	annual total	na	42,905	.....
Anthurium Outshipments[3]	th. dozens	annual total	1,611	1,761	−8.5
Potted Foliage Plants	thous. $	annual total	na	14,050	.....
FRUITS & NUTS	thous. $	annual total	na	39,749	.....
Papaya Sales	th. lbs.	annual total	48,494p	67,000	−27.6
Average Farm Price	cents/lb.	monthly ave.	18.2	13.1	38.9
Macadamia Nut Sales (in shell)	th. lbs.	annual total	37,000	37,700	−1.9
Average Farm Price	cents/lb.	monthly ave.	70.0	69.2	1.2
VEGETABLES AND MELONS[4]	th. lbs.	annual total	66,306	66,150	0.2
LIVESTOCK	thous. $	annual total	na	87,025	.....
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	annual total	33,519	31,160	7.6
Average Farm Price (Feedlot Beef)	cents/lb.	monthly ave.	83.5	95.0	−12.1
HOG PRODUCTION (Dressed Wt.)	th. lbs.	annual total	6,259	6,231	0.4
Average Farm Price	cents/lb.	monthly ave.	103.5	103.5	0.0
MILK PRODUCTION	mil. lbs.	annual total	142.0	148.0	−4.1
Average Price Sold to Plants	$/100 lbs.	monthly ave.	20.36	20.06	1.5
EGG PRODUCTION	mil.	annual total	220.9	209.7	5.3
Average Farm Price	cents/doz.	monthly ave.	78.0	88.9	−12.3
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	annual total	7,057	6,994	0.9
GAS SALES	th. therms.	annual total	48,327	47,778	1.1
TELEPHONE LINES IN SERVICE	thous.	end of period	465.0	458.1	1.5
CONSTRUCTION PUT IN PLACE					
STATE:	thous. $	annual total	1,429,598	1,227,235	16.5
Oahu	thous. $	annual total	1,244,750	1,051,424	18.4
Maui County	thous. $	annual total	73,527	68,593	7.2
Hawaii	thous. $	annual total	81,102	80,465	0.8
Kauai	thous. $	annual total	30,219	26,753	13.0
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	monthly ave.	357.6	348.2	2.7
HIGH RISE	1967 = 100	monthly ave.	375.2	367.4	2.1

p = preliminary.
[2]Estimated Westbounds.
[3]Gross taxable income valued at time of shipment.
[4]From Hawaii County.
[5]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, tomatoes, and watermelons.

and jobs do not look too encouraging. With the continuing pressure to reduce federal deficits, growth in congressional appropriations for the military may be held at the rate of inflation, or in other words, remain stable in real terms. This pattern was reinforced by growth trends in defense-related jobs, which grew by only 0.8 percent in 1985, after a decline of 1.4 percent in 1984. Total income to military personnel grew by only 0.9 percent in 1985. In addition, as of July, 1985, military personnel stationed in Hawaii were down by 4.6 percent, with shore-based personnel declining by 4.4 percent and sea-based personnel down by 7.3 percent. Civilian military dependents were also down by 4.2 percent

For 1986, major capital expenditures are expected to be at a minimum, with only essential goods and services being provided for on-base military personnel. This would result in a decline in local purchases of goods and services, and a downward trend in overall military spending in 1986. This trend is aggravated by reduced federal construction contracts which were down by 42.2 percent in 1985. The cutbacks in the level of civilian workers at the Pearl Harbor Naval Shipyard represent additional evidence of a slide in overall military expenditures.

CONSTRUCTION AND REAL ESTATE

Construction and real estate were the only bright spots in Hawaii's economy. Rebounding from its crippling strike, the construction industry turned around four years of negative growth to achieve 14.1 percent real growth in 1984, after correcting for increases in the costs of construction. That was the highest level of growth in 12 years since achieving 17.5 percent real growth in 1973.

The 1985 growth surge followed one of the worst strings of negative growth in the industry's history. Growth in construction declined for four consecutive years between 1981 and 1984, reflecting the recent construction industry strike, and the national recession of 1980 to 1982. However, in spite of the surge in growth, the size of the industry is still much smaller than in the heydays of the 1970s. For example, in terms of jobs, in spite of the fact that the construction industry grew by 12.4 percent to 18,100 jobs in 1985, it is still far below the 26,650 jobs it offered in 1973, the year of the industry's largest single year of growth. Nevertheless, overall conditions in the economy signal the beginning of a promising era of growth. Major factors that will influence construction

involve the turnaround in the national economy and its beneficial impact on tourism, the long-term fall in the structure of interest rates, and the fall in the rate of inflation, which will not only bring mortgage rates down, but also hold down inflationary increases in the costs of construction. The recent downtrend in construction costs in Hawaii is a very hopeful sign for real growth in the industry.

These trends are already evident in building permit activity statewide. Total residential permits are up by 48.2 percent, with single-family permits growing by 14.7 percent and multiple-family permits by 104.5 percent. Nonresidential permits are also up by 65.1 percent. Thus, private permit activity looks very optimistic for 1986.

The only fly in the ointment was public-sector construction. Public contracts awarded by the federal, state, and county governments all declined due to cutbacks in federal budget spending, reductions in federal aid to state governments, and tightening of state capital improvement budgets. In view of these conditions, the chances are that public-sector construction spending will continue to weaken.

The picture for private-sector construction is brighter. With the gradual decline in inflation and interest rates and the pickup in the economy, as well as the decline in construction costs, real growth in construction activity should range between 10 and 15 percent in 1986.

The same conditions augur well for the real estate industry. Resales of single-family units and condominiums grew by 25.1 and 23.4 percent, respectively, in 1985. This was a marked improvement over the disappointing rates of growth achieved in 1984.

The average price of a single-family house remained stable in 1985, and condominium prices declined by 5.7 percent in 1985. This would indicate that price pressures have not yet begun to build up, and that the market is continuing to work off existing inventories, particularly for condominiums.

In terms of the distribution of construction activity by counties, Oahu saw the largest increase in construction put in place. It grew by 16.0 percent in real terms, followed by Kauai, Maui, and Hawaii. In terms of permits authorized, Maui experienced the highest rate for residential permit growth at 256.9 percent, followed by Hawaii, Oahu, and Kauai. Nonresidential permits were also highest on Maui, followed by Oahu, Hawaii, and Kauai.

Real estate sales of existing properties were healthy on all islands. In terms of

BUSINESS ACTIVITY IN HAWAII (cont.)

Series	Unit	Period	1985	1984	Percent Change 1984-85
PRIVATE PERMITS AUTHORIZED					
STATE:					
RESIDENTIAL	thous. $	annual total	566,033	382,028	48.2
Single Family Units	number	annual total	4,741	4,132	14.7
Multiple Family Units	number	annual total	2,556	1,250	104.5
NONRESIDENTIAL	thous. $	annual total	323,256	195,802	65.1
OAHU:					
RESIDENTIAL	thous. $	annual total	289,508	237,708	21.8
Single Family Units	number	annual total	2,324	2,237	3.9
Multiple Family Units	number	annual total	1,856	1,024	81.3
NONRESIDENTIAL	thous. $	annual total	225,323	137,196	64.2
MAUI CO.:					
RESIDENTIAL	thous. $	annual total	145,915	40,886	256.9
Single Family Units	number	annual total	984	638	54.2
Multiple Family Units	number	annual total	457	6	7,516.7
NONRESIDENTIAL	thous. $	annual total	32,718	18,954	72.6
HAWAII:					
RESIDENTIAL	thous. $	annual total	83,554	64,370	29.8
Single Family Units	number	annual total	980	900	8.9
Multiple Family Units	number	annual total	192	181	6.1
NONRESIDENTIAL	thous. $	annual total	37,885	25,977	45.8
KAUAI:					
RESIDENTIAL	thous. $	annual total	47,050	39,065	20.4
Single Family Units	number	annual total	453	357	26.9
Multiple Family Units	number	annual total	51	39	30.8
NONRESIDENTIAL	thous. $	annual total	16,838	13,670	23.2
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	annual total	248,872	388,655	−36.0
Oahu	thous. $	annual total	177,243	300,783	−41.1
Maui County	thous. $	annual total	37,766	26,759	41.1
Hawaii	thous. $	annual total	18,520	23,057	−19.7
Kauai	thous. $	annual total	15,346	38,058	−59.7
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	annual total	75,095	130,008	−42.2
State	thous. $	annual total	94,658	176,968	−46.5
County	thous. $	annual total	79,119	81,682	−3.1
REAL ESTATE					
RESALES					
STATE: Single Family	number	annual total	2,837	2,267	25.1
Average Price	dollars	monthly ave.	169,576	169,629	.0
Condominium	number	annual total	3,333	2,700	23.4
Average Price	dollars	monthly ave.	102,966	109,174	−5.7
OAHU: Single Family	number	annual total	2,072	1,670	24.1
Average Price	dollars	monthly ave.	188,016	186,171	1.0
Condominium	number	annual total	2,738	2,177	25.8
Average Price	dollars	monthly ave.	99,597	103,616	−3.9
MAUI CO.: Single Family	number	annual total	259	201	28.9
Average Price	dollars	monthly ave.	151,865	175,494	−13.5
Condominium	number	annual total	424	386	9.8
Average Price	dollars	monthly ave.	123,471	141,763	−12.9
HAWAII: Single Family	number	annual total	416	325	28.0
Average Price	dollars	monthly ave.	93,775	89,036	5.3
Condominium	number	annual total	93	95	−2.1
Average Price	dollars	monthly ave.	97,718	91,019	7.4
KAUAI: Single Family	number	annual total	90	71	26.8
Average Price	dollars	monthly ave.	146,375	132,857	10.2
Condominium	number	annual total	78	42	85.7
Average Price	dollars	monthly ave.	115,987	138,948	−16.5

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POPULATION IN HAWAII

Series	Unit	Period	1985	1984	Percent Change 1984-85
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1	1,149.9p	1,139.8	0.9
Total Resident Population	thous.	July 1	1,053.9p	1,037.2	1.6
OAHU:					
Total De Facto Population	thous.	July 1	na	859.8	.....
Total Resident Population	thous.	July 1	na	805.3	.....
MAUI COUNTY:					
Total De Facto Population	thous.	July 1	na	114.5	.....
Total Resident Population	thous.	July 1	na	83.1	.....
HAWAII:					
Total De Facto Population	thous.	July 1	na	112.5	.....
Total Resident Population	thous.	July 1	na	106.4	.....
KAUAI:					
Total De Facto Population	thous.	July 1	na	54.4	.....
Total Resident Population	thous.	July 1	na	44.0	.....
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1	997.5p	979.9	1.8
MILITARY PERSONNEL:					
STATE	number	July 1	58,005	60,804	−4.6
Ashore	number	July 1	53,848	56,321	−4.4
Afloat	number	July 1	4,157	4,483	−7.3
CIVILIAN MILITARY DEPENDENTS	number	July 1	64,281	67,083	−4.2
FOREIGN IMMIGRATION[1]	number	annual total	5,569	5,326	4.6

INCOME IN HAWAII

INCOME					
TOTAL PERSONAL INCOME**	mil. $	3rd qtr. ave.	14,228p	13,447	5.8
EMPLOYMENT INCOME[2]	mil. $	3rd qtr. ave.	10,359p	9,760	6.1
Manufacturing	mil. $	3rd qtr. ave.	487p	455	7.0
Construction & Mining	mil. $	3rd qtr. ave.	557p	533	4.5
Wholesale	mil. $	3rd qtr. ave.	437p	406	7.6
Retail	mil. $	3rd qtr. ave.	1,178p	1,106	6.5
Finance, Ins., & Real Estate	mil. $	3rd qtr. ave.	687p	670	2.5
Trans., Comm., & Util.	mil. $	3rd qtr. ave.	914p	862	6.0
Services	mil. $	3rd qtr. ave.	2,344p	2,172	7.9
Farm & Other	mil. $	3rd qtr. ave.	350p	331	5.7
Federal Civilian	mil. $	3rd qtr. ave.	973p	900	8.1
Federal Military	mil. $	3rd qtr. ave.	1,277p	1,225	4.2
State & Local	mil. $	3rd qtr. ave.	1,155p	1,101	4.9
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	3rd qtr. ave.	2,700p	2,545	6.1
TRANSFER PAYMENTS (1,875) minus Personal Contributions for Social Insurance (706)	mil. $	3rd qtr. ave.	1,169p	1,142	2.4
PER CAPITA PERSONAL INCOME:					
STATE	dollars	annual total	na	13,042	.....
Oahu	dollars	annual total	na	na	.....
Maui County	dollars	annual total	na	na	.....
Hawaii	dollars	annual total	na	na	.....
Kauai	dollars	annual total	na	na	.....

***Total personal income and all components are seasonally adjusted at annual rates.*
[1]Includes only those entering Honolulu ports and do not include status changes.
[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

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sales growth for single family units, Maui was slightly ahead at 28.9 percent, followed by Hawaii, Kauai, and Oahu. Kauai was far ahead in condominium sales growing by 85.7 percent, followed by Oahu, Maui, and Hawaii. The major growth in terms of the number of single-family and condominium units sold, however, occurred on Oahu where 4,810 units changed hands in 1985. Maui was second at 683 units, Hawaii third at 509 units, and Kauai fourth at 168 units.

The outlook for the real estate industry in 1986 looks optimistic. With the continuing decline in interest rates and inflation, resales of single-family and condominium units should range between 15 and 20 percent. Price pressures could begin to heat up, particularly in view of the continuing depletion of inventories, and the overall drop in financing costs. Notwithstanding, growth in the industry should be robust in 1986.

SUGAR

The sugar industry experienced another difficult year in 1985. In spite of record setting increases in yields of tons of sugar per acre, raw sugar production declined by 4.6 percent falling from 1,061,600 tons to 1,012,250 tons, due to reductions in growing acreage. Furthermore, because of excessive foreign sugar imports in 1985 estimated at 600,000 tons above domestic market needs, the domestic raw sugar price was driven down from 20.5 to 18.6 cents a pound. As a result, total 1985 industry revenues from the sale of sugar, molasses, and electricity came to $359 million, a decline of 11.5 percent from the $405 million earned in 1984.

The only bright spot, aside from record increases in yields, came from improvements in cost cutting innovations, including: productivity improvements and energy conservation; transportation costs in terms of container, rail, and ocean shipping costs; and corporate administrative costs in terms of salary, pension, and medical cost cutbacks. Lower interest rates also assisted in reducing borrowing costs. Part of the savings were reflected in reduced jobs which declined by 5.6 percent to 7,600 jobs in 1985.

The outlook for 1986 lacks promise. Production levels are forecast to increase by around 2 percent to 1,033,500 tons. However, 1986 sugar import quotas are expected to remain high, thereby continuing to depress domestic sugar prices. Furthermore, the market for cane sugar is continuing to shrink because of competition from high-fructose corn syrup. Returns to the in-

dustry will most likely continue to decline in 1986.

PINEAPPLE

The overall performance for the pineapple industry in 1985 was not healthy. In terms of production volume, output of fresh weight tonnage declined by 5.8 percent to 565,000 tons in 1985. Of the total output in 1985, processed pineapple output declined by 8.5 percent, while fresh pineapple output increased by 5.0 percent. Fresh pineapple now constitutes 22 percent of total pineapple output. Contributing to the reduction in output were a decline in pineapple acreage, as well as the severe drought conditions of 1984 which reduced the volume of output and increased unit costs. As a result, total revenues to the industry from the sale of fresh and processed pineapple fell by 10.8 percent from a record $250 million in 1984 to $222 million in 1985. Jobs in the pineapple industry continued to decline falling by 9.5 percent in 1985 to 3,800 jobs during the year. Thus, the industry continues to diminish in its importance for employment in Hawaii.

DIVERSIFIED AGRICULTURE

Diversified agricultural enterprises had a disappointing year in 1985. Industry revenues declined 2.3 percent to $252 million, while jobs in the industry declined by 3.1 percent to 7,800 jobs. Individual performances in the various sectors reflected trends in the overall industry, as discussed below.

Macadamia Nuts

Preliminary estimates indicate that 1985 was a mediocre year for macadamia nuts. The 1985 nut crop was estimated at 37.0 million pounds, a 1.9 percent reduction in volume from 1984. Weather conditions, including severe wind storms and the alternating bearing nature of the trees, were main factors in decreasing output. Though bearing acreage showed a substantial increase of 12 percent to 13,500 acres, yields per acre fell to 2,700 pounds, the lowest since the 1978-79 season, due to new acreage put into planting. Farm prices improved slightly to 70 cents a pound, but this was offset by the drop in the volume of production, resulting in a decline in the value of sales to the industry of 1 percent to $25.9 million. Steady increases in bearing acreage, and steady prices, 1986 should improve in the value of sales to between 3 to 5 percent in 1986.

Papayas

The papaya industry continued to adjust after a record year of overproduction in 1984. Total weight of fresh

EMPLOYMENT AND JOBS IN HAWAII

Series	Unit	Period	1985	1984	Percent Change 1984-85
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	monthly ave.	481.0	472.0	1.9
Employment	thous.	monthly ave.	454.0	445.0	2.0
Unemployment	thous.	monthly ave.	27.0	27.0	0.0
Unemployment Rate	percent	monthly ave.	5.6	5.6	0.0
OAHU:					
Civilian Labor Force	thous.	monthly ave.	361.8	357.1	1.3
Employment	thous.	monthly ave.	343.3	338.0	1.6
Unemployment	thous.	monthly ave.	18.5	19.1	−3.1
Unemployment Rate	percent	monthly ave.	5.1	5.3	−3.8
MAUI COUNTY:					
Civilian Labor Force	thous.	monthly ave.	46.8	44.9	4.2
Employment	thous.	monthly ave.	44.1	42.2	4.5
Unemployment	thous.	monthly ave.	2.8	2.7	3.7
Unemployment Rate	percent	monthly ave.	5.9	6.0	−1.7
HAWAII:					
Civilian Labor Force	thous.	monthly ave.	50.6	48.6	4.1
Employment	thous.	monthly ave.	46.3	44.9	3.1
Unemployment	thous.	monthly ave.	4.3	3.7	16.2
Unemployment Rate	percent	monthly ave.	8.5	7.7	10.4
KAUAI:					
Civilian Labor Force	thous.	monthly ave.	21.8	21.3	2.3
Employment	thous.	monthly ave.	20.3	19.8	2.5
Unemployment	thous.	monthly ave.	1.5	1.5	0.0
Unemployment Rate	percent	monthly ave.	6.8	6.8	0.0
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	monthly ave.	470.1	461.1	2.0
SUGAR (Mill and Field)	thous.	monthly ave.	7.6	8.0	−5.6
PINEAPPLE (Cannery and Field)	thous.	monthly ave.	3.8	4.2	−9.5
DIVERSIFIED MANUFACTURING					
(Excluding Sugar and Pineapple)	thous.	monthly ave.	16.5	16.1	2.5
Durable Goods	thous.	monthly ave.	3.6	3.4	5.9
Non-Durable Goods	thous.	monthly ave.	12.9	12.7	1.6
Apparel and Textiles	thous.	monthly ave.	3.4	3.0	15.3
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	monthly ave.	7.8	8.1	−3.1
CONTRACT CONSTRUCTION	thous.	monthly ave.	17.0	15.8	7.6
TRANSPORTATION	thous.	monthly ave.	23.6	22.1	6.8
COMMUNICATION	thous.	monthly ave.	7.3	7.5	−2.7
UTILITIES	thous.	monthly ave.	2.4	2.4	0.0
RETAIL TRADE	thous.	monthly ave.	96.0	92.4	3.9
WHOLESALE TRADE	thous.	monthly ave.	19.5	19.0	2.6
FINANCE, INSURANCE AND REAL ESTATE	thous.	monthly ave.	32.0	31.9	0.5
HOTEL SERVICES—STATE	thous.	monthly ave.	28.0	28.3	−0.9
Oahu	thous.	monthly ave.	16.0	15.8	1.6
Maui County	thous.	monthly ave.	6.4	6.4	0.0
Hawaii	thous.	monthly ave.	3.6	3.8	−5.3
Kauai	thous.	monthly ave.	2.1	2.2	−4.5
OTHER SERVICES	thous.	monthly ave.	82.2	79.6	3.3
FEDERAL GOVERNMENT	thous.	monthly ave.	32.4	32.1	0.9
Civilian Agencies	thous.	monthly ave.	11.6	11.5	0.9
Defense Department	thous.	monthly ave.	20.8	20.6	0.7
STATE GOVERNMENT	thous.	monthly ave.	47.4	46.5	1.9
COUNTY GOVERNMENT	thous.	monthly ave.	13.5	13.2	2.3
NON-AGRICULTURE SELF-EMPLOYED	thous.	monthly ave.	32.9	33.4	−1.5
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	monthly ave.	10,597	12,495	−15.2
INTRASTATE INITIAL CLAIMS	number	annual total	66,913	74,035	−9.6
INTERSTATE INITIAL CLAIMS	number	annual total	4,040	4,254	−5.0
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	annual total	64,617	77,675	−16.8

p = preliminary.

PUBLIC ASSISTANCE IN HAWAII

Series	Unit	Period	1985	1984	Percent Change 1984-85
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	monthly ave.	58,497	61,389	−4.7
Payments	thous. $	annual total	97,465	102,264	−4.7
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	monthly ave.	47,819	48,021	−0.4
Payments	thous. $	annual total	168,850	150,537	12.2
FOOD STAMPS:					
Recipients[1]	no./persons	monthly ave.	97,261	99,715	−2.5
Payments	thous. $	annual total	92,274	83,204	10.9
SERVICES:					
Recipients[1]	no./cases	quarterly ave.	7,483	6,931	8.0
Payments	thous. $	annual total	15,535	13,802	12.6

[1]Count of recipients is duplicated. A person may be counted in each category.

BANKING AND FINANCE IN HAWAII

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	monthly ave.	6,956.7	6,274.1	10.9
Debits To Demand Deposits	mil. $	annual total	95,843.4	91,805.9	4.4
OAHU:					
Total Deposits	mil. $	monthly ave.	5,761.7	5,180.7	11.2
Debits To Demand Deposits	mil. $	annual total	87,246.0	84,006.8	3.9
MAUI COUNTY:					
Total Deposits	mil. $	monthly ave.	450.7	405.4	11.2
Debits To Demand Deposits	mil. $	annual total	3,681.4	3,319.6	10.9
HAWAII:					
Total Deposits	mil. $	monthly ave.	500.9	461.2	8.6
Debits To Demand Deposits	mil. $	annual total	3,502.4	3,214.5	9.0
KAUAI:					
Total Deposits	mil. $	monthly ave.	243.4	226.9	7.3
Debits To Demand Deposits	mil. $	annual total	1,440.6	1,264.9	13.9
BANK LOANS OUTSTANDING—STATE:	mil. $	quarterly ave.	4,437.7	4,013.9	10.6
Real Estate	mil. $	quarterly ave.	1,788.2	1,658.7	7.8
Consumer	mil. $	quarterly ave.	1,008.0	901.4	11.8
Commercial & Industrial	mil. $	quarterly ave.	1,307.6	1,135.4	15.2
Other	mil. $	quarterly ave.	333.9	318.4	4.9
CONVENTIONAL HOME MORTGAGE RATES:					
HONOLULU	1 percent	monthly ave.	12.0	12.7	−5.5
SAVINGS & LOAN ASSOCIATIONS:[2]					
TOTAL DEPOSITS	mil. $	monthly ave.	3,678.3	3,794.1	−3.1
TOTAL LOANS	mil. $	monthly ave.	na	na	.....
MORTGAGE LOANS	mil. $	monthly ave.	55.1	44.2	24.7
TAX COLLECTIONS:[3]					
STATE	mil. $	annual total	1,479.0	1,394.7	6.0
Oahu	mil. $	annual total	1,283.0	1,216.0	5.5
Maui County	mil. $	annual total	82.9	76.6	8.2
Hawaii	mil. $	annual total	79.3	73.9	7.3
Kauai	mil. $	annual total	33.8	28.3	19.4

[1]1985 based on 11 months data. 1984 based on 10 months data.
[2]Includes data for both Hawaii and Guam. Reporting categories changed in July, 1985.
[3]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

papayas produced came to 48.5 million pounds, a huge 27.6 percent decline from the 67 million pounds of fresh papaya harvested in 1984. A major factor was the decline in harvested acreage, which fell by 7.8 percent in 1985. However, because of the reduction in output, the price of fresh papaya rose from 13.1 cents a pound to 18.2 cents a pound in 1985. As a result, revenues from fresh papaya sales remained stable at around $8.8 million during the year. With a stabilization in the growth in bearing acreage and prices, as well as further progress in the treatment of fruit, the prospects for growth in 1986 look positive.

FLOWERS AND NURSERY PRODUCTS

Flowers and nursery products constitute the largest single segment of diversified agricultural products aside from sugar and pineapple. Its two principal crops, potted foliage plants and anthuriums rank among the top four diversified agricultural crops along with macadamia nuts and papaya. According to the most recent data available for 1984, the industry achieved a record growth year in 1984 as total value of production reached $42.9 million, exceeding the previous year's record value by 19 percent. Flowers and nursery products also increased their share of the total diversified agricultural market rising from 18 to 21 percent of total diversified agricultural sales in 1984.

Of the major crops, potted foliage plants for indoor use registered a strong 30-percent increase, growing from $10.8 to $14.0 million value of production in 1984. Anthuriums also experienced healthy growth in sales, realizing a 14-percent growth in sales volume, and a 22-percent growth in value of sales to $7.4 million in 1984. Preliminary indications for 1985, however, indicate that out-of-state shipments of anthuriums lagged 9 percent behind the 1984 total. Of the total shipments, total annual mainland sales rose 10 percent to 952,200 dozens, while foreign sales dipped 26 percent to 659,000 dozens over the year. Of the foreign sales, Japan and Italy comprise the largest markets, being responsible for 42 and 40 percent, respectively, of total foreign anthurium shipments in 1984. On the other hand, the 1984 value of orchids sold topped the $4 million mark for the first time with record sales of dendrobiums and other potted orchids leading the way.

Prospects for the flower and nursery product industry should brighten in 1986. Foreign sales of anthuriums should be stimulated by the devaluation of the U.S. dollar, particularly in relation to the Japanese yen. Furthermore,

increases in air freight capacity due to Japanese airline de-regulation, as well as increased cargo capacity to the mainland, should lower transport costs and make flower and nursery products more competitive in Hawaii's export markets.

TRADE AND SERVICES

Due principally to Hawaii's high reliance on tourism, the trade and service segment of Hawaii's economy exerts an enormous impact on economic activity and employment in the state. In 1985, wholesale and retail trade, and services generated $20.9 billion worth of revenues, or 85 percent of all the revenues generated in the state. Trade and services also constituted 38 percent of all employment income, and 54 percent of all private sector wage and salary jobs in the state. These sectors saw moderate growth in 1985, generally reflecting the sluggish performance of the visitor industry. For example, after correcting for inflation, gross business receipts for these three sectors grew by 0.4 percent, while income grew by 4.2 percent, and jobs expanded by 2.9 percent. Prospects for 1986 remain optimistic based on the high probability of positive tourism growth. If expectations for a 5 to 7 percent increase in total overnight visitors for the year materialize, real growth in trade and services should range between 3 to 5 percent in 1986.

TRANSPORTATION, COMMUNICATION, AND UTILITIES

The transportation, communications, and utility sector of the economy experienced moderate growth in 1985 principally due to gains in the tourism-related transportation industry. For example, in terms of job growth, transportation services experienced a 6.8 percent increase in jobs, while communications jobs declined by 2.7 percent, and utility jobs remained static. The growth in transportation jobs contributed to a modest 2.7 percent increase in income to the overall sector in 1985 after correcting for inflation. The lack of growth in the utilities and communications fields is reinforced by public-utility statistics which indicate that total electricity generated in 1985 increased only slightly by 1 percent to 7.0 million kilowatt hours. Gas sales also saw a slight increase of 1 percent, as did new telephone lines placed in service, that grew by 2 percent in 1985.

The outlook for 1986 will depend, in part, on growth in the tourism industry, particularly for the transportation industry. With projected increases in visitor counts ranging in the 5 to 7-percent range, the chances for healthy growth in transportation services look good for the coming year. Growth in the communications and utility industry tend to be influenced more by demographic factors such as growth in the overall population and the rate of household formation, although the visitor industry does play an important role in affecting electricity demand. If the construction industry experiences the surge in growth that is expected in 1986, the consequences could be very good for communications and utility jobs because of the increased demand for electricity, gas, and telephone service. This would apply to growth in single-family and multiple-family residential units, as well as nonresidential construction.

GOVERNMENT

Civilian government, at the federal, state, and county levels, plays an important role in Hawaii's economy. In 1985, federal, state, and county governments employed 72,650 persons, or 17 percent of total wage and salary jobs in the state. Income for civilian government employees also came to 20 percent of all employment income in the state. Growth in this sector was moderate in 1985. In inflation adjusted terms, federal government civilian income grew by 4.7 percent to $973 million, while income to state and county government employees grew by 1.6 percent to $1.2 billion, as of the third quarter of the year. Job growth in these sectors was also moderate. Federal government civilian employment grew by 0.9 percent to 11,600 jobs, state government employment grew by 1.9 percent to 47,400 jobs, and county government employment grew by 2.3 percent to 13,500 jobs. Prospects for growth in jobs and income for the civilian government do not look optimistic in the light of recent federal deficit-reduction moves under the Gramm-Rudman-Hollings bill, as well as general programs of overall fiscal austerity being implemented by state and local governments. While it is true that an improvement in Hawaii's economy will add to state and local government tax revenues, much of that improvement can be expected to be absorbed by cutbacks in federal support to state and local government.

CONCLUSION

The Hawaiian economy was clearly marking time in 1985 after a record growth year in 1984. Reflecting both the slowdown in the national economy, as well as temporary, but damaging, airline stoppages, and the unprecedented strength of the U.S. dollar in international exchange markets, virtually all sectors of the economy experienced slow to moderate growth over the year. The only exception was the construction industry, which showed strong growth as a result of its rebound from a strike that lasted well into 1985. On the brighter side, the economy did manage to stay roughly even with what is beginning to be recognized as a record 1984 growth year. This testifies to the basic strength and resiliency of Hawaii's economy.

1986 looks better. Continuing national expansion, a decline in the value of the dollar, and a continuing moderation in interest rates portend healthy advances in tourism and interest-rate sensitive sectors such as real estate and construction. In turn, tourism-related industries such as transportation, communications, and utilities, as well as retail trade and services should show healthy growth. While the outlook for military and government jobs, as well as agriculture, may not look as rosy, strength in tourism and construction should carry sufficient impact to assure a year of strong growth in output, income, and jobs.

RESEARCH DEPARTMENT
MARCH/APRIL 1986

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